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SIPDIS

STATE FOR EUR/NB (MGERMANO), AND EUR/ERA (MHAWLEY-YOUNG)

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SUBJECT: LITHUANIAN STAKEHOLDERS TARGET STANDARDS AND
REGULATIONS AS TRANSATLANTIC TRADE STOPPERS

REF: A. SECSTATE 167813

[1](#)B. SECSTATE 218535

[1](#)C. VILNIUS 1035

[1](#)D. VILNIUS 1526

SUMMARY

- [1](#)1. Lithuanians identified differing standards and regulations as the greatest impediments to transatlantic trade in two recent Embassy-sponsored stakeholders' roundtables. The Lithuanian Free Market Institute, reporting on the events, encouraged elimination of U.S.-EU tariff barriers and mutual recognition of regulatory norms. The report urged the Lithuanian government to liberalize trade with the United States and to improve the domestic investment climate. End Summary.
- [1](#)2. Specialists in international trade from Lithuania's government, business community, and academia participated in two Embassy-sponsored stakeholder roundtables on October 27 and January 20, held under the rubric of the U.S.-EU Stakeholder outreach initiative (ref A), to discuss how best to strengthen the U.S.-EU economic relationship. The Lithuanian Free Market Institute organized the roundtables, circulated a position paper, and compiled a final report. (A copy of the report follows via email.) While noting the importance to the European Union of transatlantic trade, stakeholders pointed out that in 2003 the United States was the destination of only three percent of all Lithuanian exports and that only two percent of all Lithuanian imports came from the United States. (The corresponding figures for the first nine months of 2004 were 1.5 percent and 4.3 percent, respectively).
- [1](#)3. The first stakeholders' roundtable focused on regulatory barriers to transatlantic trade, with participants calling upon the EU to apply a more flexible regulatory regime both within its common internal market and to transatlantic trade. They endorsed mutual recognition of U.S.-EU regulatory norms as the best means of removing such non-tariff barriers to trade and services. The alternative, regulatory harmonization, would require a prohibitive investment in Lithuania's regulatory infrastructure. The roundtable report commended ongoing U.S.-EU regulatory cooperation in areas such as banking, public procurement, and auto safety, and urged a non-discriminatory approach in public tenders in both the EU and the United States.
- [1](#)4. Roundtable participants highlighted elimination of U.S.-EU tariff barriers as an obvious road to boosting transatlantic trade. EU accession-mandated harmonization of customs duties in certain protected sectors, such as agriculture, steel, and automobile production, raised Lithuania's import tariffs. The experts recommended that Lithuania pursue tariff elimination through WTO negotiations.
- [1](#)5. An MFA participant noted that differing standards, protection of intellectual property rights, and divergent approaches to biotechnology approvals complicate U.S.-EU trade, and particularly looked for easing the registration and procurement requirements of the Bioterrorism and Buy America Acts. He further noted a broader challenge facing the United States and the EU -- to reach agreement on complex issues such as the Kyoto Protocol, chemicals, and genetically modified organisms (GMOs).
- [1](#)6. Roundtable experts looked to Lithuania to follow the lead of larger EU countries with greater stakes in transatlantic trade, such as the UK, in their efforts to liberalize transatlantic trade. They would encourage Lithuania to take a long-term approach, and support liberalization and elimination of EU trade barriers, to stimulate U.S.-Lithuania trade.
- [1](#)7. The experts urged the GOL to improve the domestic investment environment. They recommended that the GOL reduce social security and income taxes and regulatory reporting requirements. They urged the GOL to accelerate

privatization of the few remaining large state assets (airlines, energy distribution network, and railways) and to remove all barriers to competition in infrastructure services.

COMMENT

18. Diverging regulatory frameworks and standards on either side of the Atlantic have not commanded much attention here in the past, because our bilateral trade relationship does not loom very large here. Lithuania's natural markets are the European Union, Russia, and Eastern Europe, and Lithuanians are unaccustomed to focusing on transatlantic trade. Lithuania's new EU membership is causing Lithuania to take a closer look at the issue, and increasing U.S. trade and investment in Lithuania will make the interest personal.

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